UNITED
NATIONS

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General Assembly

Distr.
GENERAL

A/49/843
2 February 1995

ORIGINAL: ENGLISH

Forty-ninth session
Agenda item 123

FINANCING OF THE UNITED NATIONS OPERATION IN SOMALIA II

Progress of the investigation and action thereon to determine responsibility for the theft of US$ 3.9 million in the United Nations Operation in Somalia II

Report of the Secretary-General

1. The General Assembly, in paragraph 1 of its resolution 49/229 of 23 December 1994, requested the Secretary-General to give a written report to the General Assembly no later than 31 January 1995 on the progress of the investigation undertaken by the Office of Internal Oversight Services and action thereon to determine responsibility for the theft of US$ 3.9 million and to recover the missing funds, as well as disciplinary measures taken in this regard and controls put in place to avoid the recurrence of similar incidents in future.

I. THE THEFT AND ITS INVESTIGATION

2. The theft was discovered on Sunday morning, 17 April 1994, at the headquarters of the United Nations Operation in Somalia (UNOSOM II), located in the United States Embassy compound at Mogadishu, and was reported to Headquarters in New York on the same day. The stolen $3.9 million had been kept in the bottom drawer of a reinforced filing cabinet. The three other drawers of the cabinet containing, among other things, other cash amounting to $299,790, were not disturbed.

3. On 19 April, a Headquarters investigation team, under the direction of the Office of Internal Oversight Services, was dispatched to UNOSOM II with instructions to take charge of the investigation at the site, with a view to recovering the stolen money and identifying the perpetrators and those whose acts, inaction or negligence had contributed to the exposure of the money to the theft, and to institute immediate measures to safeguard UNOSOM's cash. The team

was in Mogadishu from 22 April to 5 May 1994. It submitted its initial report on 12 May 1994.

A. Immediate measures taken

4. In the afternoon of 17 April, the remaining cash in United States dollars was transferred, for security, from the cashier's office in administration building B to another building, known as the Somali shilling office, near the northern edge of the Embassy compound. A regular safe formerly used in the Registry was moved there to store the cash. The safe was placed in a large cage made of iron rods in a room devoted only to cash storage. The cashiering operation was likewise transferred.

5. A security survey of the new cashier's office was made and submitted to the Acting Special Representative of the Secretary-General for immediate implementation of the physical improvements recommended therein, as well as the installation of alarm systems and the 24-hour posting of armed guards to thwart a hold-up or a break-in.

6. On 17 April, with a view to recovering the stolen money, 30 security staff and 50 soldiers searched the areas surrounding the administration building complex where the cashier's office was located and from which the $3.9 million was stolen. They also made a sweep of the wide area of open ground beyond the concrete fence behind the building. From that day until 22 April, security staff and soldiers searched all personal baggage and vehicles leaving the Embassy compound and the personal baggage and checked-in luggage of passengers leaving Mogadishu airport. Those searches were reinstituted on 29 April.

7. For several days they also searched all the offices and the living quarters in the Embassy compound. At a later date, a team consisting of civilian police, security staff and military police again searched the administration building complex and everything in it and also the living quarters of the staff members who had just been moved to the Embassy compound from the southern compound near Mogadishu airport. This time they also looked beneath the floor of the administration building complex and inside all the desks, lockers, cabinets and containers. The Scotland Yard detectives, who arrived at Mogadishu on 18 May, also searched the administration building complex, including the inside of the wall panelling and ceiling.

8. The searches did not yield the stolen money. By the time the vehicle searches were started on 17 April, some vehicles, including a waste disposal truck, were reported to have left the Embassy compound. The morning flight out of Mogadishu had departed without being screened. The compound's expanse of 34 hectares has many hiding-places, such as several hundred unused military vehicles parked together, nooks and crannies of many buildings, and numerous steel shipping containers that were constantly moved in and out of the compound. Moreover, the security of the compound was easily breached. Local people without visible grounds passes were moving about at all hours of the night, and grounds passes were found to have been faked on numerous occasions. There were crumbled portions in the perimeter walls at the back of the compound, abutting local houses. These and other sections of the walls were not lighted at night

and were not visible to sentries in guard towers or at the gates. None of the civilian administration buildings and living quarters was guarded and there were no foot patrols; motorized patrols at periodic intervals could easily be anticipated and avoided by anyone who wished to do so.

9. On 17 April, security staff and the military police examined the cashier's office, including the reinforced filing cabinet from which the cash was stolen, for clues to the identity of the perpetrator(s). The security staff took several Polaroid pictures of the office and of the general appearance of the filing cabinet, but no clue was found or developed. Neither the security staff nor the military police had the equipment or forensic expertise for examining and preserving the crime scene and for identifying and lifting fingerprints and other clues. The civilian police also examined the crime scene on 20 April, the day they were assigned to the case by the Acting Special Representative of the Secretary-General. With the use of a fingerprinting kit borrowed by the Headquarters investigation team from the United Nations Office at Nairobi, the civilian police obtained five fingerprints from the cabinet and one from one of the plastic water bottles on the floor which were believed to have been removed from boxes and handled by the thieves in the course of the crime. As no equipment was available, no impression was recorded or measured of the tool marks left by the thieves on the cabinet.

10. For several days, starting on 17 April, the security investigators and the military police, separately, interviewed the chief cashier, the assistant cashiers, the two staff members who acted consecutively as chief finance officer just before the theft and at the time of theft, and other persons who might be able to provide information useful to the investigation. The Headquarters investigation team and the civilian police continued the interviews and extended them to the Director of Administration, the various chiefs of section and other persons. On its return to New York, the Headquarters team interviewed the former Chief Finance Officer of UNOSOM, who had served there from July 1993 to 26 March 1994, a few days before the theft.

11. To elicit information from as many persons as possible, including Somalis who came into the compound as day workers or only on occasion to transact business, the civilian police distributed widely a one-page questionnaire, in English and Somali, encouraging everyone to fill it out and return it to their office. A number of the completed questionnaires provided some leads in the interviews subsequently conducted. The civilian police also posted notices in English and Somali in the daily news bulletin and at all buildings and facilities in the Embassy compound, inviting anyone who might have information about the theft to transmit it confidentially to them, by means of a dedicated telephone number. No calls came in. The assistance of the military was also sought to tap their intelligence network for information about the identity of the thieves and conspirators. The various pieces of information received were either too vague to be useful or were of such a nature as to be impossible to verify.

B. Findings of the investigation

1. Too much cash allowed to accumulate

12. From the start, UNOSOM had been disbursing cash for the payment of local salaries, military contingent allowances, rental of residences, local payments to vendors, and partial payments of mission subsistence allowance to international staff. Since late 1993 cash disbursements had averaged about $10 million per month.

13. Prior to the second half of March 1994 most of the physical cash received would be disbursed each week within 24 hours of its receipt at UNOSOM. The pattern was for $1.5 million to $3 million to be delivered each Tuesday. By Tuesday or Wednesday night the remaining cash on hand was usually reduced to $100,000 to $150,000, and this cash was made to last until the following Tuesday. By the middle of March this pattern began to change, and cash started to build up.

14. The build-up in dollars occurred for several reasons. To some degree it was the result of a decision, made in late February 1994, to begin to pay selected vendors, who had previously received 100 per cent of their payments in cash, by cheque, or 50 per cent in cash and 50 per cent by cheque. The average amount of cash remittances requested from Headquarters had also increased moderately from the beginning of 1994 because of UNOSOM's shortness of funds on several occasions in January.

15. The weekly cash amounts required for the full month of March 1994 were requested by UNOSOM on 21 February. They were at a level which more or less matched the actual needs until the middle of March, but which was too high thereafter. The amount requested was not amended in the second half of March when it became clear that cash was building up. The Chief Finance Officer of the mission (P-5 level), whose contract was not renewed, left Somalia on 26 March.

16. On 30 March the unofficial officer-in-charge of the Finance Section (P-2), who also had to continue to perform his primary functions as Chief of the Vendors' Payment Unit, requested a continuation of the cash remittances for the first three weeks of April at the same level as they had been in March. He made his calculation assuming relatively high cash expenditures and that it was necessary to keep about $1 million in cash in reserve for contingencies.

17. Starting in the middle of March the mission also received unanticipated cash deposits directly in Somalia, totalling about $1 million. Most of this came from one or two departing contingents which had accumulated extra cash, and the balance from the normal port tax collections, commissary sales proceeds and the like.

18. As a result of these several factors, the total amounts of cash on hand at the end of each day after the middle of March ranged from $1 million to $2 million right before the weekly cash deliveries to $3 million to $5 million after the deliveries. On Tuesday, 12 April 1994, a delivery of $3 million was made, and at the end of that day there was $4.8 million on hand. Four days

later, on Saturday night, 16 April, the cash-on-hand total was down to $4.2 million, $3.9 million of which was stolen.

2. General security conditions at the Embassy compound

19. All of the officials with whom the Headquarters investigation team met agreed that the security of the compound was porous. Although there were guard posts at all gates and entry into the compound was limited to those who either held a regular pass or were given temporary passes, bogus passes, which were indistinguishable from the genuine ones, could easily be bought at the Bakara market of the city. There were no comparison checks made of the number of people that came in during the day and the number that left at the end of the day. The Headquarters investigation team observed local people who stayed in the compound during the night and who were not challenged by the authorities to explain their presence.

20. There were periodic vehicle patrols, more at night than during the day, but they stayed on the roads. They did not stop at any point in their night-time rounds to inspect the areas surrounding office buildings or dwelling units, nor did they go into office buildings to check if doors were locked and secure. Before the 15-man Norwegian military contingent left in the last week of March 1994, its members carried out vehicle patrols inside the compound and, accompanied by bomb-detecting and attack dogs, they would leave their vehicles and do foot patrols from time to time.

21. The Camp Commandant said that it was not the task of his current military patrols to do this, and that in any case he did not have enough troops for the job.

22. The Chief Security Coordinator said that he did not have enough staff to provide building security. At the time of the robbery, the Security Coordinator had 57 security staff doing bodyguard, convoy, access control and transport duties. Two of them were doing investigations full time, mostly of theft cases. In addition, he had 300 local Somalis doing guard duties at the residences of staff in the southern compound near the airport, 60 assisting in performing transport duties and 73 doing convoy duties.

23. The Provost Marshal said that his military police were too few to perform security duties for the buildings and offices in addition to their primary function of enforcing military regulations.

24. Therefore, because of the dimensions of the Embassy compound (about 34 hectares) and the very large number of personnel, including locals employed by contractors, moving around the compound, and owing to the ability of the Somalis to prepare fake passes, the security of the compound was far from perfect.

3. Security conditions in the administration complex

25. After the departure of the Norwegian contingent in March 1994, no security service ever went into the administration buildings, as a matter of procedure, to check whether the offices were secure or had their doors locked.

26. The administration building complex was situated about 100 feet from the sentry post of gate 2, but the sentries were not concerned with who went in or out of the complex at whatever time of the night. A number of international staff members stayed in their offices, working very late or overnight. Some local staff also stayed overnight in the offices, unsupervised and without the prior approval of their supervisors. Several employees of the contracting, consulting and engineering firm also stayed very late in their office, watching television or videotaped movies, playing electronic games and generally enjoying themselves. They considered it much better than staying in their tiny cabin with no amenities. This situation prevailed particularly in the building that housed the cashier's office, which also housed the offices of the Director of Administration, the Chief of Technical Services, the Finance Section, the contracting, consulting and engineering firm and the civilian air operations.

4. Security of the cashier's office

27. The building where the cashier's office was located when the theft took place was a prefabricated building which could not provide adequate security for a large amount of cash. No alarm system had been installed in the cash room.

28. The reinforced filing cabinet in which the cash was kept could provide only minimal security even if it was used properly. The topmost of its four drawers had a combination lock and a plunger-keylock; the three others had keylocks only. The key that secured any of the three lower drawers turned up the tongue of the lock only about 3 millimetres into the slot in the cabinet's frame.

5. Examination of the crime scene

29. The cashier's office where the theft was committed was not preserved in its original state because the UNOSOM Director of Administration did not consider it necessary. UNOSOM security staff, nevertheless, took photographs of some salient features of the crime scene and reported on them, which was helpful to the Headquarters investigation team. Since it was no longer possible for standard procedures for the examination of the crime scene to be applied effectively by either the civilian police or the Headquarters team, the team focused its examination on the filing cabinet, particularly the bottom drawer from which the $3.9 million was stolen. That, together with the security photographs, yielded certain assumptions regarding possible perpetrators, one of them being that the thief or thieves were insiders or had help from an insider. No more can be said in this regard because the case remains open.

6. Management accountability for the loss of $3.9 million to theft

30. The Headquarters investigation team found an incredible lack of concern on the part of the UNOSOM administration for security in the handling and safekeeping of the large amount of cash used in the mission.

31. The only exceptions to this were the Chief (P-2) of the Vendors' Payment Unit, who was the unofficial officer-in-charge of the Finance Section from the time the Chief Finance Officer left on 26 March until 9 April 1994, and the Acting Finance Officer (P-4) who took over as unofficial officer-in-charge of the Finance Section on 9 April.

32. The P-2 who had taken on the duties (at P-5 level) of Officer-in-Charge of the Finance Section, in addition to his full responsibilities as Chief of the Vendors' Payment Unit, communicated his concern for the security of the cashier's office and the need to strengthen it at two meetings of section chiefs presided over by the Director of Administration.

33. The newly arrived Acting Finance Officer made several efforts in the days before the theft to improve the security of the cash by trying to find a suitable safe, by asking the Building Management Unit to build an iron-bar cage inside the cashier's office to house the inadequate filing cabinet safe, by trying to secure a burglar alarm, and by trying to arrange with the Security Officer he met incidentally on 16 April for a 24-hour guard for the cashier's office. He was unable to use a suitable safe offered to him in the stockroom of the General Services Section because its combination numbers were missing; it was a second-hand safe sent from Cambodia during the liquidation of the United Nations Transitional Authority in Cambodia. The General Services Section took measurements of the cashier's booth, but did not build the iron-bar cage. The purchase order for the burglar alarm went out only on 16 April; the robbery took placed that night. The Security Officer had told the Acting Finance Officer to put his request in writing so that it could be considered officially.

34. The internal audit observation on the audit of the United States Dollar Cashier's Imprest Fund of UNOSOM II, dated 11 December 1993 (audit No. H93/078), was addressed to the Director of Administration of UNOSOM II at Mogadishu. Among other things, it raised the problem of lack of security of the cashier's office, as follows:

> "Our inspection of the cashier's office indicated a number of serious deficiencies which, if not corrected immediately, would potentially lead to eventual loss of the Organization's assets, particularly considering the prevailing conditions in this mission area. ... A forced entry into the building [where the cashier's office is located] from any side would be an assured possibility. In addition, its entrance doors are made of wood with ordinary locks. The office has three ordinary glass windows, an easy entry target for thefts. The two air conditioners in the room are not secured by any iron bars; they could easily be pulled out, thereby providing easy access to the room. The safe where the bulk of the bank notes, around $1.5 million per book, are stored is not strong enough to deter burglary; its lock can easily be destroyed and it can be moved out by four persons.

"In view of the above and considering the potential risks involved, we believe the matter needs management's urgent attention to correct the deficiencies described above. Management should evaluate the cost of fortifying the cashier's office with a steel liner. In addition, there is a need to upgrade the locks, install window guards, buy a stronger safe with adequate space to store bills and install an alarm system connected to the Security and the Finance Sections to detect unauthorized entry into the room. We also believe that, in order to further tighten the security of the office, a special lock with multiple keys should be installed. The keys should be held by at least two officials, namely one by the cashier and one by a security officer with an alternate, none of whom should have independent access to the cashier's office. In this regard, we expect the suggested improvements to the cashier's office to be done before the audit team's departure on 18 December 1993."

35. The response of the UNOSOM Director of Administration, dated 14 December 1993, was:

"We agree that the security of the cashier's office should be strengthened and steps are being taken to do so as soon as required materials are available."

36. At the time of the theft, not one of the security measures recommended by the internal auditors had been installed.

37. In tandem with its assessment of the security conditions of administration building B and the cashier's office located in it and its evaluation of the controls applied to the management, handling and safekeeping of cash, the Headquarters investigation team interviewed and took signed statements of the Director of Administration, his subordinate managers and staff members, including the former Chief Finance Officer, who had left UNOSOM for retirement on 26 March 1994, with a view to determining accountability for the absence of those controls and security measures which allowed the loss of such a large amount of cash. The reasons given by the former Chief Finance Officer why the cash had not been placed in the strongroom of the Somali shilling office immediately after it was completed in January 1994 were: (a) it was more risky there since it was close to the outer wall of the Embassy compound; (b) it was risky to pay out dollars and Somali currency in the same place because those paid in Somali currency were generally unruly; and (c) it was rather far from the administration building and it would be inconvenient for staff to move to and fro between the buildings. The former Chief Finance Officer admitted that he had not instituted or maintained the necessary controls and measures for the safekeeping and handling of UNOSOM's cash. He could not account for the missing set of keys to the filing cabinet used to store the cash in United States dollars.

38. In view of the above findings and taking into account their statements, the Headquarters investigation team concluded that the Director of Administration and the Chief Finance Officer who served from July 1993 to 26 March 1994 were grossly negligent in the performance of their duties, particularly in regard to the institution and maintenance of adequate controls for the management and

security of the large amount of cash used in the operation of UNOSOM II. This gross negligence provided the opportunity for the theft of the cash.

39. The Chief Cashier, who had been in that position for about four months at the time of the theft, was found to be generally inadequate for the job. Although by virtue of his position he must bear some responsibility for the inadequate security of the cash, it is not to the same degree as the Chief Finance Officer, who gave him conflicting instructions, and the Director of Administration.

C. Introduction of corrective measures directed to UNOSOM II

1. Security of the cashier's office

40. A number of additional physical improvements, including a burglar alarm system that could be monitored by the military police posted in the adjacent Provost Marshal's office, were recommended to make the new cashier's office fully secure. A 24-hour guard should also be posted at the cashier's office, both to ensure order during the course of the day and to provide additional protection at night.

2. Minimizing cash holding

41. The fluctuating cash requirements were examined to establish a minimum cash flow requirement for future operation of the mission, with a view to reducing the time of exposure to risk of cash holding. Calculations were made of the daily cash disbursements in the first trimester of 1994, and a detailed analysis of the mission's ongoing cash requirements was prepared, showing the various types of expenditures made and what proportion of them must be in cash. It was recommended that this analysis, with figures updated monthly, should be the basis for future requests for cash remittances from the bank.

3. Improvement of cash management

42. Daily procedures for most aspects of the cashiering function were reviewed in detail, and many of them were changed. The daily cash book was reorganized to provide a more complete record of all relevant information. Daily reconciliation procedures were significantly tightened, and an internal imprest system within the cashier's office itself was established to allow full tracing and accountability for all payment transactions.

43. Further improvements in the reconciliation and management of UNOSOM's current accounts were initiated.

44. Additional safes were placed in the locked strongroom so that each assistant cashier could manage and be responsible for his or her own cash each day. Primary responsibility for large amounts of cash was vested with the acting chief finance officer.

4. Institution of controls on cash handling

45. A policy guideline was written and given to the management of UNOSOM II, outlining the required procedures for ensuring adequate physical security and control of the keys to the cashier's office, the locked strongroom within the office, and the safes inside the strongroom. A list was drawn up showing the primary and back-up holders of each set of keys.

46. The procedures were intended to ensure that no one person acting alone would have unlimited access to large amounts of cash, that full accountability was established for each separate amount of cash maintained, and that there was adequate back-up when personnel authorized to hold those keys were absent for any reason.

47. Prior to the theft UNOSOM had no specific policies or procedures with respect to the control of keys and duplicate keys for the locks to the cashier's office and for the reinforced filing cabinet safe used. The prevailing practices were not thought out and were wholly inadequate in the circumstances.

5. Updating of accounts

48. The shortcomings in the keeping of accounts were looked into. Three accountants came from Headquarters to help UNOSOM bring its accounts up to date.

49. The cashier's records were reviewed in detail back to the time of the last physical cash count by the Internal Audit Division in December 1993. The cash on hand, in both United States dollars and Somali shillings, was counted and verified.

50. To make the present report comprehensive, the recommendations for immediate further action, set out in the initial report submitted by this Office on 12 May 1994, are reproduced below. These recommendations may no longer apply to UNOSOM II, as that Operation is about to close, but most of them remain valid for other peace-keeping missions.

"RECOMMENDATIONS FOR IMMEDIATE FURTHER ACTION

"1. The amounts of cash used must be reduced to a minimum

"(a) The amount of physical cash used by UNOSOM needs to be reduced to the lowest possible level. Cash continues to be needed for payments to local staff, partial payments of mission subsistence allowance to international staff, cash distributions in the zones outside Mogadishu, police force payments, various troop contingent allowances, rental of local vehicles and houses, most vendor payments, and various small project expenses.

"(b) Most of these groups must be paid 100 per cent in cash. However, further efforts are under way and need to be continued to reduce the larger cash payments to major vendors. This will not be an easy or straightforward effort, because in most cases it is very much an imposition

on vendors to receive cheques they can do nothing with in Somalia. Most of them do not have external bank accounts. It is costly and time-consuming to have to make other arrangements, and many of them are loath to do so, particularly when they see smaller vendors necessarily paid in cash. In many cases payment in cash is written into the contracts, and so these will have to be rewritten whenever possible.

"(c) One possibility already implemented to some degree is to inform major vendors that for all new large contracts the full price will be paid only by cheque and that, if cash is absolutely necessary, then a significant discount will be taken by UNOSOM for this privilege. The mission already charges a 1 per cent fee for any cash payments to vendors, and this percentage should be increased in some cases. This will be strongly resisted by virtually all vendors now receiving cash, and procurement personnel will have to be involved from the beginning in order for the contracts to reflect whatever agreements can be reached.

"(d) UNOSOM's cheques are currently written against an account with Chemical Bank in New York. Renewed efforts will be made promptly to see if a United States dollar account can be opened in a financially secure Kenyan bank, because cheques drawn on such a bank in Kenya may be more acceptable than those from a New York bank.

"2. The security procedures currently used for delivering cash must be reassessed

"(e) The current operating and security procedures for transmitting physical cash remittances to Mogadishu need to be reviewed and reassessed in detail. Discussions have begun with Republic Bank about more flexible delivery dates. The times must be modified so that cash is not always delivered on a Tuesday as in the past. A random schedule or procedure must be devised so that it is not predictable when cash deliveries will be received.

"(f) The security arrangements in Nairobi when the cash arrives and is passed to UNOSOM must also be re-analysed in the light of the theft and the resulting general public knowledge that UNOSOM is bringing in large amounts of cash.

"3. Maximum efforts must be exerted to more fully staff the UNOSOM Finance Section with qualified personnel

"(g) One of the most significant factors contributing to the environment at UNOSOM in which such a substantial theft could take place was the far too limited number of experienced and capable financial staff at all levels. The UNOSOM administration, Department of Peace-keeping Operations, and the Department of Administration and Management have repeatedly emphasized the problems caused by the high level of staff vacancies and the difficulties in attracting adequate numbers of qualified personnel for many types of job functions in Somalia. It is a well-known problem with no easy solutions.

"(h) Despite these persistent recruiting problems, renewed efforts must be made to find additional qualified finance staff quickly. With one or two exceptions, the present group of Professionals at the P-1 to P-3 level are very capable, hard-working and responsible. However, at the current moment there is only one higher level finance Professional (P-4) in the entire mission. Moreover, several of the best young Professionals, who have already served in the mission for nine months or more, have reached or are approaching the 'burn-out' stage; at least one is scheduled to leave shortly.

"(i) Ways need to be found to recruit significant numbers of qualified financial staff at all levels on an expedited basis. The difficulties in other areas of the mission make it all the more critical that UNOSOM have both adequate numbers of financial staff and ones with the requisite experience and technical qualifications. It is not even close to being in that position at the present time.

"4. Physical security concerns must be top priority in the design of the new and current cashier's office

"(j) Construction is currently under way on a building in the Embassy compound, formerly occupied by the United States 10th Mountain Division, which is being renovated to serve as the new quarters for the entire finance unit, including the cashier's office. It is important that the plans for the physical layout and security of the cashier's office be reviewed again in the light of the recent experience with the theft. If it has not already been done, a specific security assessment of the future cashier's office quarters should be conducted immediately and any necessary changes made before construction proceeds further.

"(k) It is important that the remaining actions needed to fully secure the current cashier's office are given top priority for full completion.

"5. Detailed written policies on the use and physical security of cash must be developed and approved

"(l) The current financial rules of the United Nations address the use of cash in a very limited fashion and are geared primarily to the establishment and use of petty cash funds. The rules were not designed to handle a situation such as the one in UNOSOM in which very significant cash expenditures must be made on a regular basis and the control of large amounts of physical cash is a major issue.

"(m) A detailed policy on the use, reporting and physical security of significant cash operations needs to be drafted and approved by the Controller as a supplement to the current financial regulations. While UNOSOM is in the most need of such a policy at the moment, it would be relevant as well to an increasing number of other peace-keeping missions.

"6. The use of Somali shillings should be absolutely minimized and procedures for the changing of United States dollars into Somali shillings should be reviewed

"(n) The use of Somali shillings by UNOSOM should be eliminated as much as possible. The Controller or other appropriate authority at Headquarters should formally approve as soon as possible an exception to normal policy, which would authorize payments in United States dollars for all purposes. This unusual recommendation is made for several important reasons:

(i) Because the exchange rate averages around 4,000 shillings to one United States dollar and because the largest denomination bill is only 1,000 shillings, it takes an enormous number of bills to make any normal payments in Somali currency. The number of bills which must be handled is too large to be workable. Payments can only be made in bundles of bills, which in practice cannot even be reasonably counted. The currency on hand is much too large to be kept in any safe and so must be kept in a strongroom on the floor in large bags.

(ii) The shilling bills themselves are considered to be potentially dangerous by many, because they are sometimes coated with rat poison to protect the large quantities that often are stored in places where rats can reach them.

(iii) With no functioning banks in Somalia, UNOSOM has been relying on the services of one business broker to exchange United States dollars into Somali shillings. This individual both supplies the currency and quotes the market rate at which the exchange will be made. This is a totally unsatisfactory arrangement, which should be used only as a last resort.

"(o) There is a permanent need for some small amounts of Somali shillings for use in the zones and for certain miscellaneous payments in Mogadishu. Since March 1994 all local salary payments have been made in dollars, though this procedure has never been formally approved by Headquarters.

"(p) With this elimination of the payroll payments in shillings, the amount of shillings currently needed has been dramatically reduced. As of the beginning of May there was a total of about 600 million shillings kept in the strongroom, the equivalent to about $150,000. This amount should last several months, if formal approval is granted to make as many payments in dollars as possible.

"(q) Before any more dollars are exchanged into Somali shillings, UNOSOM needs to explore carefully what other options there may be for alternate arrangements, including publishing notice of the acceptance of sealed bids for shillings purchases. The current broker must be warned that he will be held personally responsible if another broker is chosen in the future and that person is physically harmed as a result of his bid.

"7. UNOSOM's financial reports and accounting must be brought up to date and maintained on a current basis

"(r) One contributing factor to UNOSOM's particular difficulty in projecting the mission's future needs for cash is the fact that for a number of months its basic accounting operations have been many months behind and no up-to-date financial reports have been available. With insufficient staff to perform all the necessary functions satisfactorily, higher priorities were given to day-to-day payroll, vendor payments, and cash disbursement functions; accounting was a secondary priority.

"(s) This situation must be remedied. A three-person team from Headquarters arrived in early May to assist in training more staff in the use of the computerized accounting system already available and to help reduce the backlog of transactions needing to be processed. Once caught up in financial reporting, the accounts must be maintained on a current basis and not allowed to fall behind again once the team leaves.

"8. Reform staff attitude

"(t) A programme of imbuing staff members with conscientiousness in the conservation and safeguarding of United Nations assets should be formulated and intensively applied. Casualness in the handling of cash should be especially condemned. Those at the management level have a special obligation to set themselves by their behaviour as role models in this regard.

"9. Specific assignment of responsibility for security

"(u) One organizational unit should be designated as responsible for the security of the civilian buildings and assets. It should see to it that rules and procedures are observed by staff in securing valuable equipment, materials, offices and building access points.

"10. Coordination of security

"(v) Better coordination of security tasks through a clear division of labour should be fostered among the military and civilian services concerned."

D. Investigation by Scotland Yard

51. While the Headquarters investigation team was still in Mogadishu, a request for technical advice and assistance in the investigation was made to the Government of the United Kingdom Government of Great Britain and Northern Ireland through its Permanent Mission to the United Nations. After some initial concern over their powers of jurisdiction and exactly what assistance could be provided, a three-man investigation team headed by a detective superintendent was sent by Scotland Yard to Mogadishu, staying there for two weeks beginning 18 May 1994.

52. The team found the detailed accounts of previous investigations helpful, allowing it to bypass much of the preliminary work and enabling it to take a wider view of the circumstances and to concentrate on the perceived core issues. The team examined the crime scene and the filing cabinet from which the cash was stolen. It collected pertinent documents and evidence, including the cabinet which it took back to the Scotland Yard laboratory for forensic analysis. It interviewed 19 UNOSOM staff members and other witnesses. It made its own search of the administration complex and premises for the stolen money (see para. 7 above).

53. Scotland Yard's report on its investigation, dated 30 September 1994, was received by the Office of Internal Oversight Services through the courtesy of the Permanent Mission of the United Kingdom to the United Nations on 8 November 1994. It concluded:

(a) If the cash had been stored in the Somali shilling office the theft was highly unlikely to have occurred.

(b) No evidence was found to support any suggestion that the theft was committed to cover up any cash deficiency.

(c) The build-up of the cash reserve to just under $5 million was the result of the revised pay-out system and management oversight.

(d) The refusal by the former Chief Finance Officer to use available security facilities for the cash (indicated in conclusion (a) above) probably prompted and aided the offender(s) to commit the crime. His assessment of the security problems in the daily movement of some of the cash from that location to the cashier's office in the prefabricated building was not justified.

(e) Forensic evidence and witness accounts give strong indication that the theft was committed by or at least with the assistance of an inside agent. There is no direct evidence available to identify the person(s) responsible.

E. Investigation of the theft continues

54. The Office of Internal Oversight Services and Scotland Yard are agreed that, on the basis of their findings, the investigation must continue.

II. ACTION BY THE UNITED NATIONS ADMINISTRATION

A. Protection of assets in peace-keeping missions

55. Although internal and financial controls were already in place for the safeguarding of assets, on 25 April 1994, chiefs of administration in all United Nations peace-keeping missions were requested to take additional possible precautions and necessary measures to safeguard and protect the Organization's assets, especially cash (including traveller's cheques), blank cheques and signed cheques awaiting collection by vendors. Subsequently, on 13 May 1994, the Controller instructed all chiefs of administration to review procedures for

all aspects of cash management to ensure that they are consistent with the United Nations Financial Rules and that physical security of cash is reinforced. Replies received from peace-keeping missions confirmed that appropriate measures have been taken in this regard.

B. Disciplinary and related action

56. On 12 May 1994, the Director of Administration assumed responsibility for the loss suffered by the United Nations and submitted his resignation. He was advised on the same day that, in view of his acceptance of ultimate responsibility and his offer to be available for the continuing investigation, the notice period for resignations was waived and his resignation was accepted by the United Nations, but on the understanding that it would be treated as a summary dismissal. The Director of Administration is now contesting the decision to treat his resignation as a summary dismissal before the United Nations Administrative Tribunal.

57. On 19 May 1994, the former Chief Finance Officer, who had been in UNOSOM II until 26 March 1994, was informed of the Administration's conclusion that he had been grossly negligent in the discharge of his functions, and that the loss suffered by the Organization as a result of the theft was due, in part, to his negligence. In May 1994, the Administration decided to withhold his repatriation grant and his annual leave balance. The staff member has not contested this decision.

58. On 19 May 1994, the Chief Cashier was reprimanded as an expression of the Organization's strong disapproval for his lack of due care in discharging his official responsibilities. He was reassigned to other functions which had no direct responsibility for cash.

59. Additional disciplinary action can be expected if the continuing investigation shows other staff members guilty of negligence or complicity.

C. Implementation of the recommendations made by the Headquarters investigation team

60. Recommendations 1, 2, 4, 5 and 6 (see para. 50 above) have been fully implemented.

61. Owing to the existing vacancy situation in the staffing of the Finance Section of UNOSOM II, recommendation 3 has not been fully implemented.

62. With regard to recommendation 7, UNOSOM's financial reports and accounting have been updated to 30 November 1994. The four-month assignment to UNOSOM of a Headquarters accounting team was instrumental in reducing backlog and instituting proper accounting procedures.

63. Regarding recommendation 8, the Special Representative of the Secretary-General in Somalia has issued written instructions to the mission

staff to be mindful of the constant need to conserve and safeguard United Nations assets.

64. With regard to recommendations 9 and 10, concrete measures have been taken to secure buildings and other assets by the installation of barriers and posting of armed guards to restrict access to the buildings, residential areas and storage facilities to authorized personnel.